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Message Text

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70
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 FEA-01 PA-02

PRS-01 USIA-15 /119 W
---------- 011163
R 231633Z JAN 75
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6099
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY TOKYO
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS PARIS 01954

E.O. 11652: N/A
TAGS: EAL ENRG FR
SUBJECT: PETROLEUM DEVELOPMENTS

1. FRANCE'S OIL CONSUMPTION IN 1974 DROPPED 5.6
PERCENT BELOW THAT OF L973, ACCORDING TO FIGURES RECENTLY
RELEASED BY FRENCH OIL INDUSTRY. CONTINUED MILD
WEATHER HAS BEEN MAJOR FACTOR, RESULTING IN HEATING OIL
CONSUMPTION DROP OF 16 PERCENT VIRTUALLY WITHOUT NEED
FOR ENFORCEMENT OF RATIONING SCHEME IN EFFECT SINCE LAST
FALL. CONSUMPTION OF MANY OTHER PRODUCTS SLIGHTLY
BELOW 1973 LEVELS (GASOLINE BY 3.4 PERCENT) ALTHOUGH

HEAVY INDUSTRIAL-USE FUEL OIL CONSUMPTION ROSE BY ONE
PERCENT. (SINGLE LARGEST FUEL OIL CONSUMER, ELECTRICITE
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DE FRANCE, NONETHELESS MADE MAJOR OIL SAVINGS THROUGH

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HIGH HYDROELECTRIC PRODUCTION MADE POSSIBLE BY HEAVY RAINS, AND GREATLY INCREASED COAL BURNING.)

2. GOF HAS THUS ENTERED 1975 IN GOOD POSITION TO HOLD OIL IMPORTS BELOW ITS DECLARED 51 BILLION FRANC CEILING. WHILE GOOD WEATHER AND CONSEQUENT LOW HEATING OIL CONSUMPTION PROBABLY CANNOT CONTINUE, THE DECLINE IN DOLLAR RATE HAS MADE FRANCE'S IMPORTS RELATIVELY CHEAPER FOR NEXT MONTHS. MOREOVER, HIGH CURRENT LEVELS OF PRIVATE AND COMPANY-HELD STOCKS (LATTER REPORTEDLY OVER 120 DAYS' CONSUMPTION) WILL MAKE POSSIBLE SIGNIFICANT INVENTORY DRAWDOWN IF NECESSARY.

3. FRENCH REFINERS ARE IN FACT THREATENING THAT THEY WILL UNILATERALLY REDUCE STOCKS TO MANDATORY MINIMUM (90 DAYS) RATHER THAN IMPORT CRUDE AT WHAT THEY CONTINUE TO CLAIM IS A LOSS (EVEN AT INCREASED LEVEL OF OIL

PRODUCT PRICES EFFECTIVE 1 JANUARY). WE DOUBT, HOWEVER, IF GOF WILL PERMIT SUCH ACTION, AS BOTH MINISTRY OF FINANCE (FOR ANTI-INFLATIONARY PURPOSES) AND MINISTRY OF INDUSTRY (FROM DISINCLINATION TO ALLOW STOCK REDUCT-ION IN CONTINUING UNCERTAIN SITUATION) CAN FOR ONCE BE CONSIDERED IN AGREEMENT. NOR, GIVEN THE DEGREE OF GOF CONTROL OVER THE INDUSTRY, IS THERE LIKELY TO BE A CONFRONTATION LIKE THE ONE LAST YEAR IN BELGIUM.

4. COMPLICATING FACTOR TO CURRENT GOF-OIL COMPANY RELATIONS IS AIR OF SCANDAL CREATED BY PARLIAMENTARY INVESTIGATION AND REPORT BY SCHWARTZ COMMITTEE, IN WHICH VARIOUS CHARGES OF CHEATING AND COLLUSION ARE LEVELLED AGAINST OIL COMPANIES, INCLUDING FRENCH-OWNED ONES. ALTHOUGH COMMUNIST AND SOCIALIST INSTIGATORS OF REPORT WERE UNABLE TO ACHIEVE ANY RESULTS IN PARLIAMENT, THEY HAVE SUCCEEDED IN KEEPING ISSUE ALIVE AND PCF PLANS TO LAUNCH MAJOR ANTI-OIL COMPANY PROPAGANDA CAMPAIGN NEXT MONTH. WHILE GOF PROFESSES NOT TO BE WORRIED BY ATTACKS ON THIS SCORE, IT UNLIKELY IN CIRCUMSTANCES TO

BE AMENABLE TO OIL COMPANY DEMANDS FOR PRICE RELIEF.
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TO THE CONTRARY, GOF APPARENTLY LOOKING TOWARD TAX MEASURES WHICH WOULD HIT OIL COMPANIES (INCLUDING REMOVAL OR REVISION OF DEPLETION ALLOWANCE AND FOREIGN TAX CREDITS), ALTHOUGH IT UNLIKELY TO TAKE ACTION BEFORE U.S. CONGRESS DOES SO.
RUSH

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NNN

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Draft Date: 23 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
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Disposition Remarks:
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